TrustINdiana

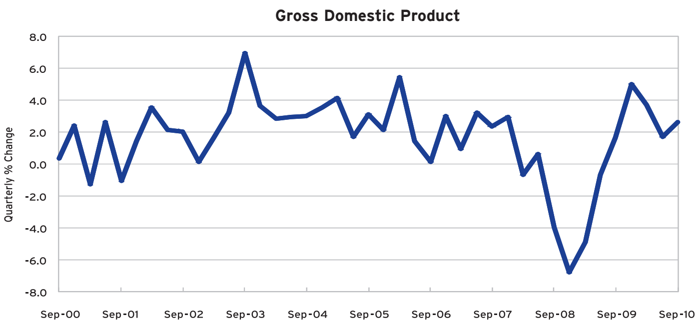
IndianaINvestor

January 2011

2011: The Year of The Recovery?

The Recovery is Strengthening?

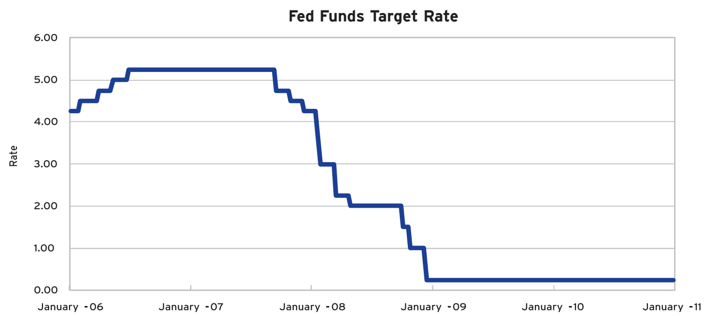
As we move into 2011, we believe it is helpful to briefly assess economic conditions and look at what we might see in the New Year. 2010 ended on largely positive notes. Gross Domestic Product (GDP) growth for the third quarter of 2010 was again upwardly revised to 2.6 percent. The consensus is that fourth quarter GDP growth will come in somewhere around 3 percent and then average 4 percent growth throughout 2011, which is thought to be enough to begin paring down the high unemployment rate. The 4 percent growth estimate is a more positive prediction for GDP than analysts previously estimated. This is in large part due to the new tax deal agreed upon in Washington. Leading consumer and business indicators have painted a brighter picture in recent months, with retail sales, consumer spending, corporate profits, factory orders, and consumer sentiment all seeing modest gains. It is expected that most of these positive trends will continue into the New Year. The housing market is still in disarray but has stabilized in recent months. As the labor market improves over the next two years, housing will emerge from the economic doldrums.



Source: Bloomberg

The Fed Holds Steady

As you well know the Federal Reserve has established a fed funds target range between zero and 0.25 percent since 2008 and it is unlikely to change this year. The Federal Open Market Committee meets routinely, and at their last meeting, to no one's surprise, they voted to keep the target rate the same. At the same time, the Fed has been rolling out its Quantitative Easing II (QEII) program, whereby the Fed, over the course of the year, will buy $600 billion in long-term Treasuries and reinvest an additional $200 to $300 billion in Treasuries from proceeds of earlier investments in an attempt to stimulate the economy. The Fed has instituted Quantitative Easing largely because after having kept rates close to zero for two years, they have run out of monetary policy options in terms of spurring lending. The Fed has not been concerned about inflation for the time being, indeed for part of last year there were deflationary concerns, however investors do not seem to be as confident. Interest rates have spiked up in recent months on the long end of the yield curve, suggesting that bond buyers may be anticipating long-term inflation.



Source: Bloomberg

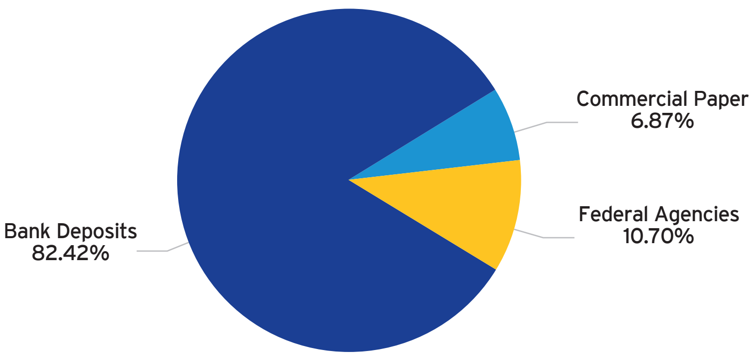
What Does This Mean For TrustINdiana Participants?

This low rate environment is a challenge for local government investment pools (LGIP) and public agencies alike. At TrustINdiana we strive to offer a competitive yield, while maintaining safety of principal and daily access to your funds. Some may view our rate as less attractive than other cash products, such as a bank certificate deposit or money market demand account. However, we believe that our yield, or that of any LGIP for that matter, should be viewed in its proper context, i.e. compared to the investment options available to the LGIP, which are limited to high-quality, short-term securities (see Monthly Economic Update for TrustINdiana for a list of comparables). Throughout this difficult rate environment, TrustINdiana has remained faithful to our goals of safety, liquidity and lastly, a competitive yield. In the near term, we will remain defensive (low risk) in our selection of securities for the portfolio focusing on high quality, liquid investments.

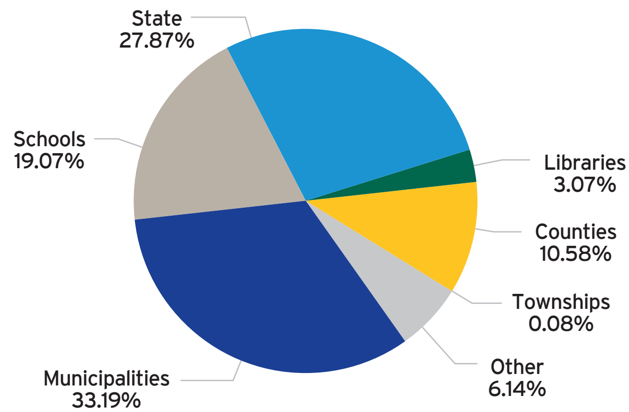
Where are short-term interest rates headed? At TrustINdiana we believe that rates essentially have bottomed out. Although the economy continues to gather steam, the pace of recovery limits the prospects for job growth and higher short-term interest rates at the present time. As a result, the market is not anticipating a rise in the fed funds target rate until late 2011 or early in 2012. We expect the yield on money-market type investments to remain at the current low levels. We do believe that 2011 will constitute the true beginning of The Recovery, but one that is measured and protracted. In the meantime, we will work to maintain your trust by holding true to our standing objectives of safety, liquidity and yield. Happy New Year and thank you for your continued business.

Fund Highlights as of December 31, 2010:

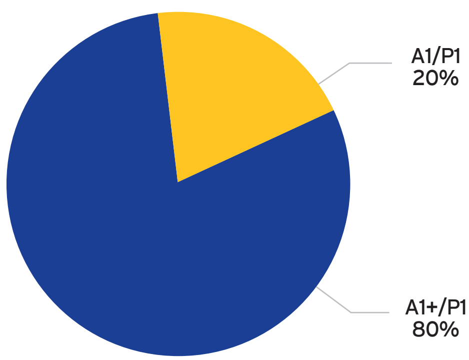
Portfolio Composition



Participant Breakdown (in units)

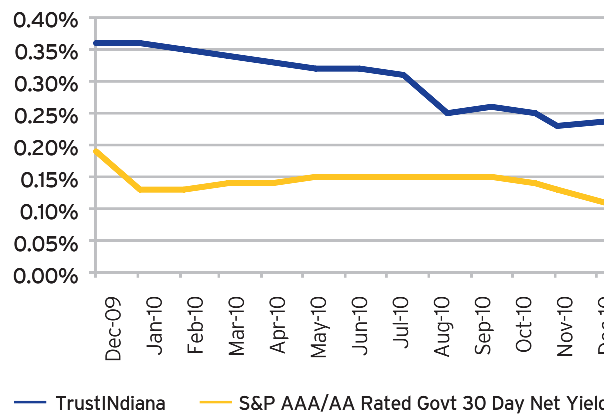


Investment Credit Quality



TrustINdiana vs S&P AAA/AA GIP

(30 Day Avg Yields)



Month	Avg Daily Yields	WAM	NAV	Month Ending Net Assets
Sep-10	0.26%	38 days	1.0000	$631,698,153
Oct-10	0.25%	27 days	1.0000	$646,348,063
Nov-10	0.23%	20 days	1.0000	$709,197,048
Dec-10	0.24%	43 days	1.0000	$653,820,374

TrustINdiana
Office of the Treasurer of Indiana
242 State House, 200 W Washington St.
Indianapolis, IN 46204
www.trustindiana.in.gov

Past performance is no guarantee of future results. Performance includes reinvestment of dividends. Please visit the TrustINdiana web site at www.trustindiana.in.gov for further program information.

As assessed by Cutwater Asset Management. Data unaudited.